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**RELATIONSHIP BETWEEN ECONOMICS AND SECURITY AND
ITS EFFECT ON SOUTH ASIA IN POST-COLD WAR SCENARIO**

BY

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Relationship Between Economics and Security And It's Effect On South Asia In Post-Cold War Scenario

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ABSTRACT

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The relationship between economics and security is a phenomenon which has been in existence for a long time but recent events have highlighted the significance of this linkage . The break up of the Soviet Union and remarkable economic growth in Asia -Pacific countries are two contrasting events which have not only changed the course of history but the balance of this equation. This paper examines the concept that economics and security are linked together in a special competing relationship with differing priority assigned to either of these by various countries according to their circumstances. It hypothesizes that after the end of the cold war economics has taken primacy over the security matters making it a primary element of national power. It analyses the situation currently prevailing in South Asia and examines the similarities between ASEAN countries and this region to formulate some recommendations for this region .

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The relationship between economics and security was established early in the history when first confrontations took place between various groups for food, expanding the settlements, and controlling more resources. Economics, since then, has dominated the realm of human conflict not only as a motive but has also as one of the important determinants of the victory . This relationship has acquired myriad dimensions with the growing complexity of societal interaction. It has also been a controversial subject between the students of international relations since a long time. The proponents of a positive correlation, mostly in the liberal camp, assert that economic development, international trade, and interdependence minimizes the risk of conflict between two countries in a region, and consequently in the world. The opponents of this inter-relation mostly belong to realist viewpoint. They deny the linkage between economics and security citing various examples from the history when two nations or groups of nations went to war despite the fact that they were inter-twined together with trade and economic links.

In the arena of international relations which is as dynamic and ever-changing as the human mind and thought itself, generalizations based on one or even a series of events prove to be hollow in a new situation that might have similar markers but other palpable and impalpable factors which are different. Their effect can produce a completely new set of cause and effect relationships. Regardless of whether anybody accepts economic interdependence and development as the basic framework for permanent peace, it does make an important contribution to the non-violent resolution of the conflicts in the modern world. Economic factors are one of the many that provide a basis for establishment of a security regime. Janne Nolan of the Brookings Institution observes :

“ The cold war did not end by organized vote or by any strategic design. It was terminated by diffuse, spontaneous historical forces powerful enough to over-ride the prescription of established policies, powerful enough to induce massive social transformation..... such forces are felt and their consequences experienced long before they are understood. It is reasonable to presume that observer are still in early stages of full comprehension. Nonetheless it is also reasonably apparent that specific changes in international economy have occurred that radically alter the context of security and from these changes incentive for cooperation arise. The diffusion of technology and internationalization of economics has changed the conditions for making military investment. They have also altered the reason for doing so¹.’

The aim of this paper is to study various aspects of the relationship between economics and security, study a developing international model in the Asia Pacific area and analyze the efficacy of applying the characteristics of this model to the peculiar circumstances prevailing in South Asian region and form some useful recommendations for future.

The Nature of the Linkage.

The security is defined in the dictionaries as a state of freedom from danger, damage, injury, fear, or doubt². It has been a long standing concern of human beings – in fact all the living beings.

The concept can be interpreted in two ways; the absence of threat producing a sense of being safe, and being able to resist threat, consequently feeling safe. This concept is not only relevant to individuals and communities but to the countries and alliance of countries. At individual level it might be protection of life, health, property or more generally quality of life while at the national level it might be autonomy, independence, prosperity, and power which can be

translated into ability to control the actions of others. Economic well-being is, therefore, a major determinant of concept of security. Economic factors have been traditionally regarded important to security concerns at micro and macro level of human society. These linkages for the purpose of highlighting economic and security interaction, can be divided into following six categories:

- Conventional wisdom has long argued that heavy defense expenditure diverts resources from productive and social sector. This makes sense but evidence to the contrary also exists.

Researchers have discovered that in some cases military expenditures do not reduce overall economic growth. These expenditures , at times , act as economic stimuli in various ways such as financing heavy industry , acquisition of advance technology , providing employment, attracting investment and most importantly creating a feeling of security³.

Armed forces, also, contribute to nation-building in many countries of the world not only by undertaking social development projects in far flung, out of reach areas deemed uneconomical by civilian entrepreneurs but also by directly indulging in commercial activities e.g. in Pakistan, the largest and most profitable industrial conglomerate in private sector is run by the military⁴.

- The second category is simple and universally accepted. It relates to the issue that economic strength results into a stronger assertion of power as it translates into a strong military.

Simply put, it signifies; rich country, strong army, more security. It was recognized by Sun Tzu around 400 BC that economic resources determine the ability of the state to maintain large military forces. He wrote in “ Art Of War” that raising an army of hundred thousand soldiers and marching them a thousand li to battle entails a heavy burden on both the people and the state’s treasury as expenses can amount to a thousand pieces of gold.⁵ A glance at

Table 1 clearly tells the story. All the countries in Southeast Asia increased their spendings on defense during a period when security situation in the region improved due to the end of cold war --- only because more spare dollars were available.

TABLE I

REAL GROWTH IN MILITARY SPENDING 1985 - 92						
Japan	China	Taiwan	S.Korea	N.Korea	ASEAN	Vietnam
29 %	13 %	30%	63%	23 %	20%	- 27 %

Source : Calculated from Military Balance 1993-94 , quoted in 'Power And Prosperity' Shirk and

Twomey

Another effect of economic development which results in military build up is the resultant shift in the balance of power between states. Such shifts can create instabilities , leading to the tensions and military conflict.

- The third category involves economic rivalries including competition for economic resources. Iraq's occupation of Kuwait was a clear manifestation of this factor. But the action by the coalition forces to overturn Iraq's aggression was also a demonstration of the same linkage. Free flow of oil to western nations and allies certainly took primacy over more altruistic aims of liberating Kuwait.
- The fourth category relates to internal security, which has become very important in today's world where all kinds of ethnic, religious and regional rivalries are affecting the well-being of nations. The state of economic prosperity of the citizens of a nation directly contributes to the stability of that country. An analysis of the failed states clearly indicates that violent internal conflict had economic deprivation as the main cause. In the words of Prime Minister

of Malaysia , which was internally torn by the insurgency during the sixties , “ National security is inseparable from political stability , economic success , and social harmony”⁶. The breakup of Former Soviet Union (FSU) was also due to the dissatisfaction of the people with their state of economic well-being.

- The fifth category consists of economic web of regional or international trade, which creates some sense of interdependence between the nations. This can affect a state’s propensity to conflict and violence in following ways:-

- International trade creates interdependence. This means that a nation, which goes to war, suffers adverse economic effects of multiple order thus raising the price of war for it. It would also mean increasing political cost to leaders because economic considerations can create groups who have selfish interest in avoiding conflict.
- Increased economic interaction and dependence create a sense of solidarity, community, and common identity among the people of two countries or a regions. This makes war or violent conflict an unthinkable means of solving problems. Although the process of regional integration is very slow, it does occur. The example of EEC and ASEAN countries can be quoted in this regard.
- Economic interdependence can heighten the common interest of the nations and degrade their differences. It breeds familiarity , an appreciation of each other’s interests and perceptions. The feeling that we ‘sink or swim together’ directs the nations towards a common purpose⁷. China-US relationship is an interesting demonstration of this fact. Both have down-played their differences on ideological

and political planes and have concentrated on economic development through trade ties.

- International trade and resultant economic interdependence gives countries, international institutions, and global organizations a certain leverage over some countries. This leverage, when utilized judiciously, forces belligerent countries to desist from using war as a means of achieving the national objectives. This is specially true for the countries with economies which are weak but have potential for development. The case of Pakistan and India can be quoted to reinforce this contention. Both the countries have practiced brinkmanship without actually going to war due to pressure from international donors and trading partners. Within the international lending institutions like World Bank, International Monetary Fund (IMF) and Asian Development Bank (ADB), interest is growing in linking international financial assistance to various forms of military behavior including defense expenditure, compliance of treaties, a respect for established principles of international law, embargoes and sanctions⁸.
- The sixth category is the institution of regional and global organizations to limit economic conflict and raise economic interaction. The second order effects of these organizations is the positive influence on the security environment. ASEAN started as purely economic organization but regional peace and security became an important function in the 'Declaration of ASEAN Concord in 1976'⁹. It resulted in a regular Post-Ministerial Conference (PMC) which discussed regional security issues. The benefit of such dialogue resulted in the ASEAN Regional Forum (ARF) for broad-based dialogue on security and economic issues.

Similarly SAARC (South Asian Association for Regional Cooperation) was established to increase cultural and economic interactions but security issues are regularly discussed during the meeting of foreign ministers and heads of states¹⁰.

The end of the cold war and the general perception that economics was the main factor in the collapse of the communist world has given a boost to the study of the linkage between economics and security. It is being speculated that next century is going to be dominated by positive sum game of global economics rather than “negative sum security game” of the present century of total wars¹¹. With the end of confrontation between the super powers, priority that most countries attach to economics is rising. The question arises whether economic competition and rivalries will increase security threat, triggering conflict over resources and markets? The examples available in the recent past strongly indicate a negative answer. The competition between Japan and other NIEs (Newly Industrialized Economies), Germany and other European nations have not presented any security concern. US and Japan trade feud has created a lot of heat but to say that the trade conflict could lead to war would be stretching it too far¹².

The skeptics like Peter Ackerman have identified areas that gives rise to the some concerns¹³. Firstly the scope of economic interdependence is limited to the industrialized nations only. This is true because some of the nations have chosen not to be dependent on others while some do not have the economic capacity to effectively trade with other nations. Poorer countries are, thus, being increasingly marginalized¹⁴. Their economic problems are exaggerated by high population growth, rising debt and decreasing internal stability. The countries of sub-Saharan Africa and South Asia are suffering from static or regressing per capita income. Secondly, it is difficult to evolve common policy because economic realities are short-term events, which can

be manipulated, while comparable security realities are long lasting. Thirdly, economic trends are self-correcting while security trends are not. Fourthly, the governments have lost control over the economic agenda due to internationalization while they can still determine their strategic position.

A Perspective On South Asia

South Asia has been an area in the grips of instability and insecurity for a long time. Dramatic geographical and political changes have occurred here as late as the 1980s. Independence from British rules in 1947, wars of 1948, '65, '71 between India and Pakistan, Soviet invasion of Afghanistan and India intervention in Sri-Lanka are some of the cataclysmic events that have hit this area. The end of cold war has made little difference to the security situation in the region. The cold war between Pakistan and India continues affecting smaller countries adversely. The latest studies by regional economists indicate that South Asia may be falling behind even Sub-Saharan Africa in terms of social/human development and eradication of poverty (Table II).

TABLE II

	Number of Poor			Population		
				Below Poverty Line		
	(millions)			%		
	1985	1990	2000	1985	1990	2000
Latin America	87	108	126	22	26	25
Eastern Europe	5	5	4	7	7	6
Middle East & N. Africa	60	73	89	31	33	31
South Asia	532	562	511	52	49	37
Far East	182	169	73	13	11	4
Sub-Saharan Africa	184	216	304	48	48	50
All Developing Countries	1050	1133	1107	30	30	24

Source : World Military And Social Expenditure 1993 , Page 25.

The Brandt Commission has classified South Asia as one of the world's two surviving poverty belts¹⁵.

Security environment. All discussions of the security environment of South Asia have to be placed in three contexts; internal security, national security, and regional security. Alarming fissiparous tendencies are noticeable in all the countries of the region. The resurgence of ethnic and sub-regional groups is threatening the state structure in nearly all the countries , but India is worst affected. The Sindhi-Mohajir problem in Pakistan, Tamil insurgency in Sri-Lanka, Chakma separatist movement in Bangladesh, greatly threaten the delicate national fabric of the subcontinental countries¹⁶. In addition to the separatist tendencies, religious extremism in India and Pakistan, often results in violent outbursts of mayhem and wanton killing. These groups have established links with narcotic producers and smugglers to raise money for their activities. Thus the nexus between the ethnic separatist, religious fanatics and drug smugglers has given rise to powerful Mafias which at times work in collusion with the intelligence agencies of the other countries. A second order effect of these internal instabilities is the increase in expenditures on security forces/ militaries. Sri –Lanka has never had a big army but since the Tamil uprising showed its ugly head, it had to build a trained and well-equipped army.

National security against external aggression and hegemony is a major factor in the region. Just a cursory look at the map can tell the reader India dominates the scene completely. India is by far the most powerful nation in the region. It alone borders all the nations of South Asia. If South Asia means five mainland countries and a couple of islands (Pakistan, India, Nepal, Bhutan, Bangladesh, Sri-Lanka and Maldives) , India is home to 77 percent of the 1.123 billion

people of the region. It produces 81% of the gross domestic product (GDP) and has 78% of the 541 million people living in absolute poverty¹⁷. All the smaller countries live in fear of India. It has ongoing disputes with Pakistan, Bangladesh, Nepal and Sri-Lanka. The past is checkered with incidents where India has tried to assert its influence through use of raw military power. Pakistan was dismembered by Indian military action in 1971. Sri-Lanka saw the Indian Army operating inside the country for four years in the 80s. Nepal, a land locked country totally dependent on India, has suffered a blockade of all its routes just because it bought some rifles from China. There is friction between India and Bangladesh on sharing the waters of the rivers, which are a lifeline for Bangladesh's economy. Despite being one of the poorest countries in the world, India maintains a large army, a blue water navy and a strong air force. It also diverts its scarce resources to the development of WMDs and delivery systems. It is now radiating a feeling of insecurity in Middle East and South East Asian countries¹⁸.

The common denominator of regional security in the Indo-Pakistan sub-continent is India's relationship with other states of the region and outside players including China, US and Russia. There is no existing problem between the all the other nations of the subcontinent. The apparent weakness of India's neighbors and their inability to combine themselves encourage them to seek external friends. This makes New Delhi extremely suspicious of the involvement of extra-regional powers thus making the security environment particularly brittle¹⁹. Among the intra-regional threats to the security, the continuous cold war between India and Pakistan is the most dangerous. The Kashmir dispute is festering due to inability of the UN to implement Security Council resolutions. Alignment of Pakistan with the free world during the cold war, its independent foreign policy in post-cold war era, and continued insistence that India and Pakistan

be treated at par in nuclear and missile proliferation issues has frustrated Indian designs of becoming a complete regional hegemon. Another important area of difference is Pakistan's continued interaction with extra- regional powers which has stymied Indian efforts to dominate the Indian Ocean.

The situation in South Asia may seem gloomy yet there are a number of bright patches also. Despite the bitterness of conflict over Kashmir and three wars, there have been distinct efforts for bilateral and multi-lateral cooperation too. All the nations have engaged in dialogue over security matters and certain significant agreements have been reached , which have stood the test of time. Agreements on sharing of waters , no-attack on nuclear installation , settlements of minor border dispute , non-violation of each other's air space and notification of military exercises are some of the examples²⁰

Economic Environment. South Asian Region is quite rich in terms of human and natural resources as compared to many other areas , e.g. East Asia. It has vast agricultural lands, long coastlines, mountains of minerals and most of all large number of dynamic and hard working people. The current state of economic development in the region is gross under-achievement basically due to internal and external security threats , population explosion , high rate of illiteracy and other social problems imposed on the people by themselves. The trade and economic interaction with- in the region is, at best minimal since two major players do not deal with each other at all, despite enormous opportunities. Table III shows the present state of relatively poor intra-regional trade.

TABLE III

**Percentage of Intra-Regional imports & Exports in Total
Trade of SAARC Countries**

1980	India	Pakistan	Bangladesh	Sri Lanka	Nepal
Imports	0.95	2.32	3.68	6.50	47.96
Exports	3.64	6.30	8.68	7.10	37.82
1989					
Imports	1.10	1.70	4.50	8.00	36.20
Exports	2.80	3.60	3.90	5.60	24.00

Source : Pakistan Defense Review , Summer 1994 , Page 48.

But this definitely does not mean that the economies of these countries are not complementary.

Pakistan and India are exporters of engineering goods while other countries are importers ; India, Bangladesh and Sri-Lanka are exporters of tea while Pakistan and others are net importers, India and Bangladesh export jute while all others import it in large volumes. Pakistan has vast gas reservoirs, which can be exported to India. The market for each other's consumer goods is enormous in all countries. There exists both competitive and complementary strains in the potential for Intra-regional trade links²¹.

The individual countries are suffering grossly from the lack of optimum utilization of resource by the leadership. A look at the some indicators of the economic and social development in Table IV is enough to prove the countries of South Asia are way below the world average in this regard.

TABLE IV

SELECTED INDICATORS OF BASIC NEEDS										
Calories as % of Requirements		Contra-ceptive Prevalence		Population with Safe Water		Population with Sanitation		Population with Access to Health Services		
Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	
South Asia	99		38		80		17		78	
Afghanistan	126	83	105	2	134	21	...	78	49	
Bangladesh	117	91	70	31	65	81	115	16	54	
India	91	101	59	43	60	86	115	16	...	
Nepal	110	94	82	14	119	37	127	2	...	
Pakistan	103	96	85	12	97	56	106	24	41	
Sri Lanka	81	104	36	62	90	60	75	59	29	

Source : World Military And Social Expenditure 1993 , Page 49

The expenditure on military and security forces is much more than economic social or infrastructure development (see Table V).

TABLE V

PUBLIC EXPENDITURES									
	Military			Education			Health		
	million	%		million	%		million	%	
	87 \$	GNP		87 \$	GNP		87 \$	GNP	
	1990	1960	1990	1990	1960	1990	1990	1960	1990
South Asia	13,115	2.2	3.5	11,208	2.2	3.0	3,251	0.5	0.9
Afghanistan	...	2.2	0.9
Bangladesh	300	...	1.5	392	0.6	2.0	118	...	0.6
India	9,488	2.0	3.1	9,488	2.4	3.1	2,908	0.5	1.0
Nepal	38	0.4	1.2	76	0.4	2.4	32	0.2	1.0

Sources : World Social And Military Expenditure 1993 , Page 49.

ASEAN Model

At this point of the study, it would be appropriate to introduce a model where the economic-security has been positively exploited to benefit the nations of the region. Countries of the Southeast-Asian region which were beset with same kind of problems thirty years ago, have emerged as new economic powers. they have experienced extra- ordinary growth over the last few decades. Together with the phenomenal economic development of the East-Asian countries, they have forced the world to think about the next century as the Asia-Pacific century.

The Past. Before world war II, Southeast Asia was scarcely even a geographical term. It had little significance except the Malacca Straits and rubber plantations. All the countries except Siam were colonies. In the fifties and sixties when these countries gained independence, all of them had agricultural economies with little trade and manufacturing. The region was characterized by following similarities with South Asia.

- Population of these countries was increasing at the rate of about three percent annually.
- Internal security was eating away at the vitals of the economy.
- Many countries were facing serious external threat or were involved in the Indo-China war.
- The population of various countries differed in social, religious, and cultural heritage even within these countries.
- The economies of these countries relied, basically, on the agricultural produce which had falling trend in the international markets.
- China was a dominating and over-bearing power in the region. It had its hands in internal

problems of nearly all the countries in the region.

- The political system in all the countries was authoritarian.
- The only thing different from the South-Asian region was the relatively higher rate of education and intra-regional trade which stood at ----- and 29 percent.

The time of transition for these countries were the ten years between 1960-1969 which were marked by five major political events which changed the future of the area:-

- Communist tide in the region was reversed. China regressed from interfering in the other countries after the failure in its great leap forward and agricultural revolution programs.
- Japan became example of dramatic economic progress through development planning and trade with the West.
- Progressive, benevolent and visionary leaders took over the helms of the nations like Indonesia, Malaysia, and Singapore.
- ASEAN(Association of South-East Asian Nations) was established with a charter which discussed political and security matters like treaty of amity and cooperation, settlement of intra-regional disputes, establishment of zone of peace, freedom and neutrality, and establishment of machinery to strengthen political cooperation as a pre-cursor to social economic and cultural cooperation.
- The political and economic powers like US Japan, China and USSR supported the formation of this organization.

The Process. The striking aspect of the developments in the region has been the parallel

development of the institutions for economic cooperation and security dialogue. The evolution of ARF(ASEAN Regional Forum) and APEC(Asia-Pacific Economic Council) has not only broadened the base of cooperation in the economic and security matters but also contributed to the diffusion of conflicts in these areas. The efforts of the regional leaders were directed to achieve the following:-

- Systemic development of the structure of regional security and economic cooperation organizations was not seen as immediate pre-requisite but a long term prospect. Evolution of the cooperation was more about processes than institutional structures and decision. Process of dialogue , confidence building , refinement of regional agenda , consultation and consensus was always paramount.
- Determination of functional dimensions of the cooperative security mechanism for conflict resolution was important since the ASEAN countries not only had problems within themselves but also with other counties. They recognized that economic and political security can not be separated from the regions relationship with external powers. Gradual development of ASEAN Regional Forum was an expression of this perception.
- Increasing the sense of regionalism and community among the leaders, scholars, and the people.
- Development of a unified perception on regional and international issues.
- Solicit the cooperation of the intra and extra-regional powers for a broad-based security dialogue.
- Assign higher priority to economic development with a continuous dialogue on security issues.

- Evolving and consolidating institutions for building regional approach

Recipe for South Asia

- South Asian nations must realize that in the fast changing and volatile world the window of opportunity available to catch up with the modern developing countries is very small. Next five years or going to be make-or-break for them. If they do not shun their traditional mistrust and rivalry , they will be left so far behind that it will be impossible for them to recover the ground. their people will remain in the abyss of poverty , illiteracy and disease. this will be a disaster of epic proportions. This is the opportune time to act. The enabling opportunities available at present will not be available for long.

Opportunities . The list of favorable circumstances prevailing at the present times beacons the leadership for action. Some of these are :

- Democratic governments exist in all the South Asian countries after a long time , a condition no other region but Europe enjoys. These states share some basic principles of governance and diplomacy with the US and growing community of democratic states. This moment is ripe for exploration of the vistas of cooperation not only regionally but with the entire world.
- SAARC as an institution has survived the test of time. It can provide South Asia an institutional moorings for enhancement of cooperation in all fields. It is mature enough as an institution now to take more energy. Its charter is broad like the ASEAN and there is encouraging history of consensus on some important issues like trade and terrorism.

International support for the basic objectives of SAARC is forthcoming not only from US but China also.

- The end of cold war has resulted in lowering of tension between major powers. It has also resulted in their disengagement from the South Asian region. All the countries are relatively free of influence from their strategic partners. The environment is more fluid and moldable than at any other time. Moscow-Washington , Washington-Beijing , Beijing-Moscow relationship do not affect the sub-continent as they did during the cold war. Thus external responsibility for South Asia's troubles has diminished.
- All major powers are drawing down their militaries. Even China is spending less on military in real terms. There is no excuse for India to go on increasing the defense budget.
- Budgets are tight and likely to grow tighter as very little financial assistance is forthcoming from the donors. Trade and not aid is the rule of the day. Loans would not solve the problem as the national debt of all the countries is skyrocketing.
- Ability of the government to call for economic sacrifices from their citizens is decreasing with the passage of time. More of the same medicine will result in the upheaval that the FSU went through.

Recommendations .

- India will have to give up its hegemonic attitude to make a start for the solution of problems between herself and the smaller nations of the region. Objective Indian scholars of international relations agree that India has greater responsibility in fostering an atmosphere

of trust and cooperation. Nancy Jetly , Associate Professor of International Studies , writes:

___“ India has a special responsibility in setting the tone for bilateral relationships and giving a lead evolving an acceptable framework of cooperative relationship in the region .If India has to rise to the challenge of true leadership , it can hardly fight shy of taking steps for meaningful accommodation with its smaller neighbors²²”.

● ___SAARC (South Asian Association for Regional Cooperation) will need re-energizing which should include institutions of mechanism for removal of obstacles in intra-regional trade. It is time that political discussion be made part of the SAARC process. ASEAN experience is a pointer in this direction. Relationship between economics and security must be recognized. institutions for political dialogue and consultation should be establishes within SAARC or parallel to it. Solution of Kashmir problem is paramount importance in this regard. India has refused to even recognize this as a problem. Lately due to seven year long insurgency and her failure to integrate Kashmiri people in the mainstream , there are indications of softening of Indian attitude. Solutions being discussed in the community of strategic analysts are²³:

- ___Integration of Jammu and Laddakh with India , Azad Kashmir with Pakistan and plebiscite in Kashmir Valley.
- ___Integration of areas as mentioned above and conversion of Kashmir Valley into UN trust territory for ten years and a plebiscite after that.
- ___Integration of territories as above and granting independence to Kashmir Valley.
- ___Independence to whole of Kashmir and joint management of its defense as well as foreign affairs by India and Pakistan.

- Partition of Kashmir as mutually agreed by India and Pakistan.
- Partition of Kashmir along the line of control.
- On the economic front , SAPTA (South Asia Preferential Trade Agreement) needs to be developed into a free trade agreement as is the case in most of the regions of the world.
- Low rate of literacy and high rate of population growth are related to both economics and security of the region. Cooperation in development of effective program to address these problems has to be found on urgent basis , or South Asia will remain out of step with rest of the world.
- Development of industries complementary to each other's requirements can not only achieve economy of scale but would also enhance regional interdependence.
- Development of regional policy institutes can facilitate dealing with other regional organizations and international institutions like World Bank, WTO etc.
- Extra-regional powers who are players in the region will have to be incorporated in consultative or partnership capacity.
- Resources are needed to be diverted to the infra-structure and human development.
- Intra-regional travel, tourism, exchange of informational material and students which is already underway to some extent, is needed to be expanded for elimination of mutual suspicion that has internalized in the psyche of the people.
- Intra-regional transport infra-structure will have to be developed and transit facilities increased. Again India has a common border with most of the countries and it can play

pivotal road in expansion of transport and transit facilities.

Conclusion

The study of the correlation between economics and security is of special significance for South Asia at this point of time in history. Security and only security has dominated the realm of relationships till this time with relative neglect of the second half of this equation. South Asia is poised for change. Leadership is the key agent for this locomotive to move forward. Economic liberalization, reform and democratization is already on the stage in all the countries. the need of the moment is to take a start towards rational regional politics. If this happens the extra-regional powers would move from geo-political to geo-economic engagement with South Asia.

ENDNOTES

¹ Janne E. Nolan ed. , Global Engagement, (Washington D.C. : Brookings Institution , 1994)
, 19.

² Webster's third New English Dictionary , 1965 ed. , s.v. 'Security'.

³ An interesting and in depth empirical study of relationship between defense spending and economic growth concluding that in less developed countries reduction in defense budget does not necessarily increase economic growth , has been carried out by Robert E. Looney and David Winterford in "Economic Causes And Consequences Of Defense Expenditure In Middle East And South Asia" , (Boulder, CO , Westview Press , 1995) , 3 and 58-60.

⁴ Ziauddin , M. , ' When Armed Forces Also Own Commercial Undertakings' Dawn - The Internet Edition, <<http://xiber.com/dawn/news/today/abr4.htm> >28 Apr 1997 .

⁵ Griffith , Samuel B. , Trans. , Sun Tzu : 'The Art Of War', (New York , NY, Oxford University Press , 1963) , 72.

⁶ Snitwongse , Kusuma , 'Economic Development And Military Modernization In Southeast Asia' , in Power And Prosperity : Economics And Security Linkages In Asia - Pacific , eds. Susan L. Shirk and Christopher P. Twomey (New Brunswick , NJ : Transaction Publishers , 1996) , 28.

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